

OLYMPIC VIEW WATER AND SEWER DISTRICT
Snohomish County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. Controls Over Inventory Should Be Strengthened

Our review of the district's equipment and parts inventory system disclosed the following weaknesses:

- a. All employees at the district have access to the equipment and parts storage room.
- b. Parts and equipment are taken from the storage room and placed in the district trucks with no documentation and no entry to the district's inventory system.
- c. No system is in place to account for parts that are returned to the store room.
- d. The lead shopkeeper, who is responsible for the inventory throughout the year, is also in charge of the physical count at year end.
- e. Our testing disclosed inventory items found on the shelves which could not be located or did not agree with the automated perpetual inventory system. Inventory additions and deletions are not posted to the system in a timely manner.
- f. The physical inventory count sheets could not be located. Therefore, the auditor could not verify that a count was done at year end.
- g. The district did not have documentation supporting the disposition of surplus items.

RCW 43.09.200 states in part:

The accounts shall show the receipt, use, and disposition of all public property . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

These weaknesses expose district officials to the possibility of error and irregularities which could result in a loss of assets and/or misstatement.

There are no federal funds involved.

We specifically recommend that district officials:

- a. Limit access to the inventory.
- b. Develop a sign-out sheet which documents the parts and equipment being stored in the district trucks.

- c. Develop a system to record parts and equipment returned to the store room.
- d. Establish procedures to ensure that the annual physical inventory is performed by someone independent of the inventory system.
- e. Perform periodic spot checks reconciling the physical and automated inventory counts. These checks should be performed by someone other than the employee primarily responsible for posting the inventory to the inventory system. The additions and deletions should be posted to the inventory system in a timely manner.
- f. Retain inventory records for the auditor's review.
- g. Obtain documentation to support all activity involving surplus items.